

**Comparison of Pension Proposals for VSTRS**

	<b>Status Quo</b>	<b>State Treasurer's 2021 Proposal</b>	<b>House 2021 Proposal</b>	<b>Pension Task Force's Recommendation</b>
<b>How Cost of Living Adjustment (COLA) is Calculated</b>	COLA is 50% of the Consumer Price Index (CPI). There is no mechanism to increase it.  1-5% COLA Range, and COLA begins after 12 months of retirement.	Eliminate all COLA for active members	COLA is 100% of the CPI, but ONLY applies to the first \$24,000 of a pension  No COLA until age 67.	COLA will remain at 50% of the Consumer Price Index (CPI) prior to the pension system reaching an 80% funded ratio.  0-4% COLA Range, and COLA begins after 24 months of retirement.  <u>Enhanced COLA</u> – Once the pension system is 80% funded, COLA will increase by 7.5% each year until it reaches 100% of CPI. If the pension funded ratio drops below 80% the COLA percentage will be frozen. Increases to COLA percentage will begin again once the pension regains 80% funded ratio.
<b>How Average Final Contribution (AFC) is Calculated</b>	Top 3, highest consecutive years of salary	Top 7, highest consecutive years of salary	Top 7, highest consecutive years of salary	Status Quo – Top 3 highest consecutive years of salary
<b>Length of Work Years /Age Before Eligible for Retirement</b>	VSTRS Group C1: Age 62 or with 30 years of service  VSTRS Group C2: Age 65 or Rule of 90	Move all retirees to Age of 62 or the Rule of 90	Age of 67	Status Quo: <ul style="list-style-type: none"> <li>• VSTRS Group C1 – Age 62 or with 30 years of service</li> <li>• VSTRS Group C2 – Age 65 or Rule of 90</li> </ul>

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<b>Vesting Period</b>	5 Years	5 Years	10 Years	Status Quo - 5 Years																								
<b>Employee Contributions</b>	5% or 6% depending on date of hire	8.00%	7.25% (Plus 0.25%-1.25% Additional contribution based upon a Risk Sharing construct)	<p>Establish a fair, progressive contribution system. A retiree's <u>effective rate</u> will be calculated based upon income and the marginal rates below.</p> <p>Beginning in FY 2023, employee <u>marginal</u> contribution rates will be structured and phased in over 3 years as follows:</p> <table border="1"> <thead> <tr> <th>Base Salary Level</th> <th>Year 1 Rate</th> <th>Year 2 Rate</th> <th>Year 3 Rate</th> </tr> </thead> <tbody> <tr> <td>\$0-\$40,000</td> <td>6.00%</td> <td>6.25%</td> <td>6.25%</td> </tr> <tr> <td>\$40,000.01-\$60,000</td> <td>6.50%</td> <td>6.75%</td> <td>6.75%</td> </tr> <tr> <td>\$60,000.01-\$80,000</td> <td>6.75%</td> <td>7.00%</td> <td>7.50%</td> </tr> <tr> <td>\$80,000.01-\$100,000</td> <td>7.00%</td> <td>7.50%</td> <td>8.25%</td> </tr> <tr> <td>\$100,000.01 +</td> <td>7.25%</td> <td>8.00%</td> <td>9.00%</td> </tr> </tbody> </table> <p><u>Effective</u> rates would be calculated annually on July 1 based on a member's base salary, then assessed on the full amount of compensation earned from a school district.</p> <p><b>SEE EFFECTIVE RATE EXAMPLES BELOW</b></p>	Base Salary Level	Year 1 Rate	Year 2 Rate	Year 3 Rate	\$0-\$40,000	6.00%	6.25%	6.25%	\$40,000.01-\$60,000	6.50%	6.75%	6.75%	\$60,000.01-\$80,000	6.75%	7.00%	7.50%	\$80,000.01-\$100,000	7.00%	7.50%	8.25%	\$100,000.01 +	7.25%	8.00%	9.00%
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**Effective Rate Examples – UPDATED January 13, 2021:**

Pension contributions are applied to any salary that is eligible to be counted by the Vermont State Teachers' Retirement System. This includes one's regular teacher salary, plus all additional wages received by a teacher for duties performed that provide direct educational value to students. The pension contribution effective rate shall be calculated annually on a teacher's salary as of July 1.

<b>Annual Salary</b>	<b>Year 1 effective rate</b>	<b>Year 2 effective rate</b>	<b>year 3 effective rate</b>
40000	6.00%	6.25%	6.25%
50000	6.10%	6.35%	6.35%
60000	6.17%	6.42%	6.42%
70000	6.25%	6.50%	6.57%
80000	6.31%	6.56%	6.69%
90000	6.39%	6.67%	6.86%
100000	6.45%	6.75%	7.00%